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JUL 10 2002

July 10, 2002

FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

VIA COURIER

Ms. Marlene H. Dortch, Secretary
Federal Communications Commission
P.O. Box 358145
Pittsburgh, PA 15251-5145

Re: Supplement to Joint Application for Domestic Section 214 Authority to
Transfer Control of Cavalier Telephone Corporation to M/C

Dear Ms. Dortch:

On behalf of Cavalier Telephone Corporation ("Cavalier") and M/C¹ (collectively "Applicants"), this letter supplements the application filed at the Commission by Cavalier and M/C on May 29, 2002, seeking domestic Section 214 approval for the indirect transfer of control of Cavalier and its operating subsidiaries (collectively "Cavalier Subsidiaries") to M/C. The Cavalier Subsidiaries provide domestic services, on a non-dominant carrier basis, pursuant to Section 214 of the Commission's Rules. As described in the application, the Applicants seek authority to allow M/C, currently the largest minority shareholder of Cavalier, to acquire additional voting rights in Cavalier thereby triggering a transfer of control under the Commission's Rules.

This Supplement is being filed to reflect the requirements of the Commission's newly revised Part 63 Rules deemed effective on June 14, 2002.² Specifically, the Applicants herein request that their application be treated under the new Part 63 Rules, 47 C.F.R. §§ 63.01, 63.03 and 63.04 and, to that end, provide additional information specifically required by the new rules.

¹ M/C includes M/C Venture Partners IV, L.P. ("M/C IV"), M/C Venture Investors L.L.C. ("M/C Investors") and M/C Venture Partners V, L.P. ("M/C V").

² See Public Notice, DA 02-1353 (released June 7, 2002).

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Ms. Marlene H. Dortch, Secretary
July 10, 2002
Page 2

Further, Applicants specifically request that their application, as supplemented by the information herein, be processed under streamlined procedures pursuant to Section 63.303(b)(2)(i).

For the convenience of Commission staff, attached is a revised version of Applicants' Section 214 application that contains the information now required by Sections 63.303 and 63.304.

Please date-stamp the enclosed extra copy of this filing and return it in the envelope provided. I would greatly appreciate it if you would associate this supplement with the above-referenced application. Please direct any questions regarding this filing to the undersigned.

Respectfully submitted,

Maria L. Cattafesta

Catherine Wang
Maria L. Cattafesta

Counsel for Cavalier Telephone Corporation.
and M/C Venture Partners IV, L.P.
M/C Venture Investors L.L.C.
M/C Venture Partners V, L.P.

READ INSTRUCTIONS CAREFULLY
BEFORE PROCEEDING

FEDERAL COMMUNICATIONS COMMISSION
REMITTANCE ADVICE

Approved by OMB
3060-0589
Page No 1 of 1

(1) LOCKBOX # 358145

SPECIAL USE

FCC USE ONLY

SECTION A - PAYER INFORMATION

(2) PAYER NAME (if paying by credit card, enter name exactly as it appears on your card)

Swidler Berlin Shereff Friedman, LLP

(3) TOTAL AMOUNT PAID (U.S. Dollars and cents)

\$815.00

(4) STREET ADDRESS LINE NO. 1

3000 K Street, N.W., Suite 300

(5) STREET ADDRESS LINE NO. 2

FCC/MELLON

JUL 10 2002

(6) CITY

Washington

(7) STATE

DC

(8) ZIP CODE

20007

(9) DAYTIME TELEPHONE NUMBER (include area code)

202-424-7500

(10) COUNTRY CODE (if not in U.S.A.)

FCC REGISTRATION NUMBER (FRN) AND TAX IDENTIFICATION NUMBER (TIN) REQUIRED

(11) PAYER (FRN)

0004-3539-00

(12) PAYER (TIN)

13-2679676

IF PAYER NAME AND THE APPLICANT NAME ARE DIFFERENT, COMPLETE SECTION B
IF MORE THAN ONE APPLICANT, USE CONTINUATION SHEETS (FORM 159-C)

(13) APPLICANT NAME

Cavalier Telephone Corporation

(14) STREET ADDRESS LINE NO. 1

2134 W. Laburnum Avenue

(15) STREET ADDRESS LINE NO. 2

(16) CITY

Richmond

(17) STATE

VA

(18) ZIP CODE

23227

(19) DAYTIME TELEPHONE NUMBER (include area code)

804-422-4000

(20) COUNTRY CODE (if not in U.S.A.)

FCC REGISTRATION NUMBER (FRN) AND TAX IDENTIFICATION NUMBER (TIN) REQUIRED

(21) APPLICANT (FRN)

0007-1578-11

(22) APPLICANT (TIN)

54-1946546

COMPLETE SECTION C FOR EACH SERVICE, IF MORE BOXES ARE NEEDED, USE CONTINUATION SHEET

(23A) CALL SIGN/OTHER ID

(24A) PAYMENT TYPE CODE

CUT

(25A) QUANTITY

1

(26A) FEE DUE FOR (PTC)

\$815.00

(27A) TOTAL FEE

\$815.00

FCC USE ONLY

(28A) FCC CODE 1

(29A) FCC CODE 2

(23B) CALL SIGN/OTHER ID

(24B) PAYMENT TYPE CODE

(25B) QUANTITY

(26B) FEE DUE FOR (PTC)

(27B) TOTAL FEE

FCC USE ONLY

(28B) FCC CODE 1

(29B) FCC CODE 2

SECTION D - CERTIFICATION

(30) CERTIFICATION STATEMENT

I, M. Catefesta, certify under penalty of perjury that the foregoing and supporting information is true and correct to the best of my knowledge, information and belief. SIGNATURE M. Catefesta DATE 7/10/02

SECTION E - CREDIT CARD PAYMENT INFORMATION

(31)

MASTERCARD/VISA ACCOUNT NUMBER:

EXPIRATION
DATE:

☐

MASTERCARD

☐

VISA

I hereby authorize the FCC to charge my VISA or MASTERCARD for the service(s)/authorization herein described.

SIGNATURE _____ DATE _____

REVISED JULY 10, 2002

Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

In the Matter of)
)
)

Cavalier Telephone Corporation)
)

Application for Approval of a Transfer of)
Control of Domestic Common Carriers)
Pursuant to Section 214 of the Communications)
Act of 1934, as amended.)
_____)

File No. _____

APPLICATION FOR TRANSFER OF CONTROL

Cavalier Telephone Corporation ("Cavalier") and M/C¹ (collectively, hereafter, "Applicants"), hereby request authority, by their undersigned counsel and pursuant to Section 214 of the Communications Act of 1934, as amended (the "Act"), 47 U.S.C. § 214, and Section 63.01 of the Commission's Rules, 47 C.F.R. § 63.01, to transfer control of Cavalier and, indirectly, its operating companies Cavalier Telephone Mid-Atlantic, L.L.C. and Cavalier Telephone L.L.C. (collectively "Cavalier Subsidiaries") to M/C. The acquisition of control will occur pursuant to an acquisition by M/C of a majority voting percentage of the shares of Cavalier. The Cavalier Subsidiaries provide domestic long distance services, on a nondominant carrier basis, pursuant to Section 214 of the Act. This application is eligible for streamlined treatment pursuant to Section 63.03 (b)(2)(i).²

¹ M/C includes M/C Venture Partners IV, L.P. ("M/C IV"), M/C Venture Investors L.L.C. ("M/C Investors") and M/C Venture Partners V, L.P. ("M/C V")

² *Implementation of Further Streamlining Measures of Domestic Section 214 Authorization*, CC Docket No. 01-150, paras 28-30 (released March 21, 2002, effective June 14, 2002) (streamlined processing applies to transfer applications of nondominant telecommunications providers pursuant to Section 63.03(b)(2)(i)).

The transaction at issue would not involve any assignment of certifications or any change in the entities that hold such certifications. Nor will it alter the Cavalier Subsidiaries' underlying day-to-day management, service to customers, or rates charged for current services. Rather, the same companies would continue to provide service to the public pursuant to their blanket domestic long distance authority granted by this Commission. Thus, the transaction would be virtually transparent to existing customers because the proposed change would involve only a change in the percentage of voting stock held in the operating carriers' holding company.

A. DESCRIPTION OF THE PARTIES

(1) Cavalier Telephone Corporation

Cavalier Telephone Corporation is a privately held corporation organized under the laws of the State of Delaware. Cavalier Telephone Corporation is the sole member and sole manager of Cavalier Telephone, L.L.C., a Virginia limited liability company. Cavalier Telephone, L.L.C. is the sole member of Cavalier Mid-Atlantic, L.L.C., a Delaware limited liability company. The Cavalier Subsidiaries provide domestic long distance and various intrastate telecommunications services on a nondominant carrier basis. No individual or company currently owns 50% or more of Cavalier's stock. M/C holds the largest minority share.³

(2) M/C

M/C is a business investment company and is not itself a telecommunications provider. M/C is focused on investing in early-stage communications and related information technology companies. The principals of M/C have over two decades of experience investing in early stage communications companies. As a result of the contemplated transaction described in Part II below, M/C would hold a majority voting ownership interest in Cavalier.

³ See note 4, *supra*, for more details of M/C's share ownership.

B. Information Required by Section 63.04(a)

(1) Name, address and telephone numbers of Applicants:

M/C Venture Partners IV, L.P.
M/C Venture Investors L.L.C.
M/C Venture Partners V, L.P.
75 State Street
Boston, MA 02108
(617) 345-7200

Cavalier Telephone Corporation
213400 W. Laburnum Avenue
Richmond, VA 23222
(804) 422-4000

(2) State of organization or incorporation:

M/C Venture Partners IV, L.P.	Delaware
M/C Venture Investors L.L.C.	Massachusetts
M/C Venture Partners V, L.P.	Delaware
Cavalier Telephone Corporation	Delaware

(3) Correspondence concerning this application should be sent to:

Catherine Wang
Swidler Berlin Shereff Friedman, LLP
3000 K Street, N.W., Suite 300
Washington, DC 20007
Tel: (202) 424-7500
Fax: (202) 424-7645

with a copy to:

Brad Evans
President and CEO
Cavalier Telephone Corporation
2134 W. Laburnum Avenue
Richmond, VA 23227

(4) Information concerning the 10% or greater owners of Cavalier Telephone Corporation:

Four entities own 10% or more of Cavalier's voting shares:

<u>Name</u>	<u>Citizenship</u>	<u>Business</u>	<u>Interest Held</u>
M/C Venture Partners IV, L.P. 75 State Street Boston, MA 02108.	U.S.	Investment	20.7%
M/C Venture Partners V, L.P. 75 State Street Boston, MA 02108.	U.S.	Investment	24.9%
KDZ Holdings, LLC 2134 W. Laburnum Avenue Richmond, VA 23227	U.S.	Investment	23.3%
BancAmerica Capital Investors SBIC I, L.P. 00 N. Tryon Street 25 th Floor Charlotte, NC 28255	U.S.	Investment	15.6%

M/C Venture Partners IV, L.P. and M/C Venture Partners V, L.P. are controlled, through ownership and control of the general partners of these limited partnerships, by the following individuals:

<u>Name</u>	<u>Citizenship</u>	<u>Business</u>	<u>Interest Held</u>
James F. Wade	U.S.	Investment	General Partners
Matthew J. Rubins	U.S.	Investment	General Partners
Peter H.O. Claudy	U.S.	Investment	General Partners
David D. Croll	U.S.	Investment	General Partners

The 10% or greater owners of M/C Venture Partners IV, L.P. are:

<u>Name</u>	<u>State of Organization</u>	<u>Principal Business</u>	<u>% Held Before</u>
California Public Employees' Retirement System ⁴	California	Pension Fund	11.8%
California State Teachers' Retirement System ⁵	California	Pension Fund	13.6%

⁴ Interest holder is a retirement and health benefit pension fund with over 1.3 million members with assets of over \$150 billion.

⁵ Interest holder is the largest public teacher pension organization and has over 600,000 members with assets of over \$88 billion.

The 10% or greater owners of M/C Venture Partners V, L.P. are:

California Public Employees' Retirement System ⁶	California	Pension Fund	10.8%
Pennsylvania State Employees' Retirement System ⁴	Pennsylvania	Pension Fund	10.8%
California State Teachers' Retirement System ⁴	California	Pension Fund	10.8%

The 10% or greater ownership information for KDZ Holdings LLC is:

<u>Name</u>	<u>Citizenship</u>	<u>Business</u>	<u>Interest Held</u>
Brad Evans	U.S.	telecommunication services business	100%

Mr. Evans' address is: 2134 W. Laburnum Avenue Richmond, VA 23227.

The 10% or greater ownership information for BACI is:

The sole general partner of BACI is :

<u>Name</u>	<u>Citizenship</u>	<u>Business</u>	<u>Interest Held</u>
BancAmerica Capital Investors SBIC I, LLC 100 N. Tryon Street 25 th Floor Charlotte, NC 28255	U.S.	Investment	General Partner

The sole manager of BACI GP is as follows:

BancAmerica Capital Management I, L.P. 100 N. Tryon Street 25 th Floor Charlotte, NC 28255	U.S.	Investment	Manager
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The sole general partner of BACM I is as follows:

BACM I GP, LLC 100 N. Tryon Street 25 th Floor Charlotte, NC 28255	U.S.	Investment	General Partner
--	------	------------	-----------------

⁶ Interest holder is a large state employee pension plan with assets of over \$28 billion.

The sole managing member of BACM is as follows:

Walter W. Walker, Jr. U.S. Investment Managing Member
100 N. Tryon Street
25th Floor
Charlotte, NC 28255

(5) Applicants' Section 1.2001-1.2003 Certification

M/C Venture Partners IV, L.P., M/C Venture Investors L.L.C., M/C Venture Partners V, L.P. and Cavalier Telephone Corporation, all Applicants herein, certify pursuant to Sections 1.2001 through 1.2003 of the Commission's Rules, 47 C.F.R. §§ 1.2001-1.2003, that no party to this application is subject to a denial of Federal benefits pursuant to Section 5301 of the Anti-Drug Abuse Act of 1988, 21 U.S.C. § 853a.

(6) Description of the Transaction

M/C currently holds 9,785,810.4 shares of stock in Cavalier representing 49.9% of Cavalier's outstanding voting stock.⁷ M/C intends to increase its voting ownership in Cavalier through the conversion of certain Class C nonvoting common stock to voting stock. Upon the Class C conversion to voting stock, M/C will hold approximately 55.2% voting control of Cavalier.⁸ The transaction as contemplated above would not involve any assignment of certifications or any change in the entities that hold such certifications. Further, no change in operations is contemplated. The Cavalier Subsidiaries will continue to provide service to the public under the same terms and conditions. The only change in ownership would occur among shareholders owning shares at the holding company level.

⁷ M/C's shares include shares issued by Cavalier as Class A, Class B, Class C and Class D shares in a series of issuances of voting and nonvoting common and preferred shares. The most recent issuance of voting shares occurred on November 13, 2001, at which time M/C increased its ownership of voting shares from 43% to 49.9% (M/C's total share ownership in Cavalier includes some nonvoting common and preferred shares.) M/C holds its interests in Cavalier through M/C IV, M/C Investors, and M/C V. M/C VP IV, L.L.C. is the General Partner of M/C IV and M/C VP V, L.L.C. is the General Partner of M/C V. The following individuals ultimately control the general partners of M/C IV and M/C V: James F. Wade, Matthew J. Rubins, Peter H.O. Claudy and David D. Croll.

⁸ In addition to the three entities in which M/C holds its investment in Cavalier, *see* note 4 *infra*, Chestnut Venture Partners, LP. ("CVP") and its general partner Chestnut Street Partners, Inc. (CSPI") hold an approximately 1.3% interest, in the aggregate, in Cavalier's voting stock. CVP and CSPI are 100% controlled by Mr. David Croll. Mr. Croll also is one of the managers of the general partner of M/C Venture Partners IV, L.P. and M/C Venture Partners V, L.P. and one of the managers of M/C Venture Investors L.L.C. Because Mr. Croll does not own a majority interest in or control affirmatively or negatively these M/C entities, Applicants believe that the 1.3% voting interests held by CVP and CSPI should not be attributed to M/C. If the Commission disagrees with Applicants' conclusions and attributes the CVP and CSPI 1.3% interest to M/C, Applicants respectfully request approval of the acquisition of more than 50% of the voting stock of Cavalier (49.9% + 1.3% = 51.2%) *nunc pro tunc* to the November 13, 2001 issuance of Class D shares at which M/C and the CVP and CSPI entities acquired their voting shares at the current levels.

- (7) Cavalier Telephone Mid-Atlantic LLC and Cavalier Telephone LLC provide long distance and competitive local services in Virginia, Maryland, Delaware, New Jersey and Pennsylvania. They provide interstate services on a non-dominant carrier basis pursuant to blanket Section 214 authority.
- (8) Applicants respectfully submit that this application is eligible for streamlined processing pursuant to Section 63.03(b)(2)(i), because the proposed transaction would result in the Transferee (M/C) having a market share in the interstate interexchange services market of less than 10 percent and providing competitive telephone exchange services or local exchange access services in geographic areas served by a dominant LEC that is not a party to the transaction and neither Applicants (nor their affiliates) is dominant with respect to any service.⁹
- (9) No other FCC application is pending in connection with this transaction.
- (10) No special treatment based on imminent business failures is requested.
- (11) No waiver requests are being submitted.
- (12) Public interest statement

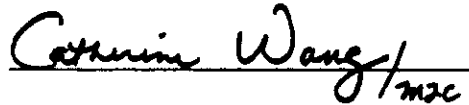
The indirect transfer of control described above would serve the public interest in allowing new competitors to strengthen their financial positions and create opportunities for consumers to have a choice of providers. Cavalier would retain the financial resources to continue providing a full range of high quality voice, data, Internet and other services and compete in the United States. As such, the transaction would serve the public interest in promoting competition among domestic carriers by providing Cavalier the opportunity to maintain its working capital and its competitive position.

⁹ M/C is not itself a telecommunications carrier. However, M/C is a private equity venture firm that manages private equity funds that focus exclusively on investing in early stage communications and information technology companies. Through its various investments, M/C holds a majority interest in Florida Digital Network, a competitive telecommunications carrier and investments in a number of other communications and IT companies, including McLeodUSA, City Signal Communications, Novaxess, and Metro PCS. These entities provide telecommunication services on a nondominant carrier basis and therefore pursuant to Section 63.03(b)(3) M/C, as transferee, would not qualify for the streamlined treatment available to transferees that are not telecommunications providers.

CONCLUSION

For the reasons stated above, Applicants respectfully submit that the public interest, convenience and necessity would be furthered by a grant of this application for approval of an indirect transfer of control of the companies holding domestic blanket Section 214 authorizations to M/C.

Respectfully submitted,

Handwritten signature of Catherine Wang, with the initials "m/c" written below the signature.

Catherine Wang
Swidler Berlin Shereff Friedman, LLP
3000 K Street, N.W., Suite 300
Washington, D.C. 20007
Tel: (202) 424-7500
Fax: (202) 424-7645

Counsel for Cavalier Telephone Corporation
and M/C Venture Partners IV, L.P.
M/C Venture Investors L.L.C.
M/C Venture Partners V, L.P.

Dated: July 10, 2002

CERTIFICATION OF APPLICANT

On behalf of Cavalier Telephone Corporation, I hereby certify that the statements in the foregoing letter regarding the Application for approval to transfer control of authority are true, complete, and correct to the best of my knowledge and are made in good faith.

CAVALIER TELEPHONE CORPORATION

By: Brad Evans

Name: Brad Evans

Title: President & CEO

Date: July 9, 2002

CERTIFICATION OF APPLICANT

On behalf of M/C Venture Partners IV, L.P., M/C Venture Investors, L.L.C., and M/C Ventures V, L.P., I hereby certify that the statements in the foregoing letter regarding the Application for approval to transfer control of authority are true, complete, and correct to the best of my knowledge and are made in good faith.

M/C VENTURE PARTNERS IV, L.P.

By: M/C VP IV LLC, its General Partner

By: 

Name: James F. Wade

Title: Manager

M/C VENTURE INVESTORS, L.L.C.

By: 

Name: James F. Wade

Title: Manager

M/C VENTURE PARTNERS V, L.P.

By: M/C VP V LLC, its General Partner

By: 

Name: James F. Wade

Title: Manager

Date: July 9, 2002